

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Holly	County Oakland
Audit Date June 30, 2005	Opinion Date August 16, 2005	Date Accountant Report Submitted to State: 11-3-05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

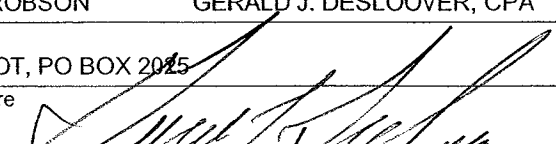
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

Village of Holly, Michigan

Comprehensive Annual Financial Report

For the Fiscal Year Ending June 30, 2005

VILLAGE OF HOLLY, MICHIGAN

President

Peter K. Clemens

VILLAGE COUNCIL

Shirley Campbell

Jim Scherman

Don Winglemire

Pauline Kenner

Reisa Hamilton

William P. Kuyk, Sr.

ADMINISTRATION

VILLAGE MANAGER

Aaron Oppenheimer

VILLAGE CLERK-TREASURER

Marsha A. Powers

DIRECTOR OF PUBLIC WORKS DIRECTOR

Marvin Swanson

POLICE CHIEF

Greg Hansmeier

WASTEWATER TREATMENT PLANT SUPERVISOR

Tim Stallcup

FIRE CHIEF

Jack Hollands

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2005

Prepared by:

Marsha A. Powers, CMC-CPFA
Clerk-Treasurer

**VILLAGE OF HOLLY, MICHIGAN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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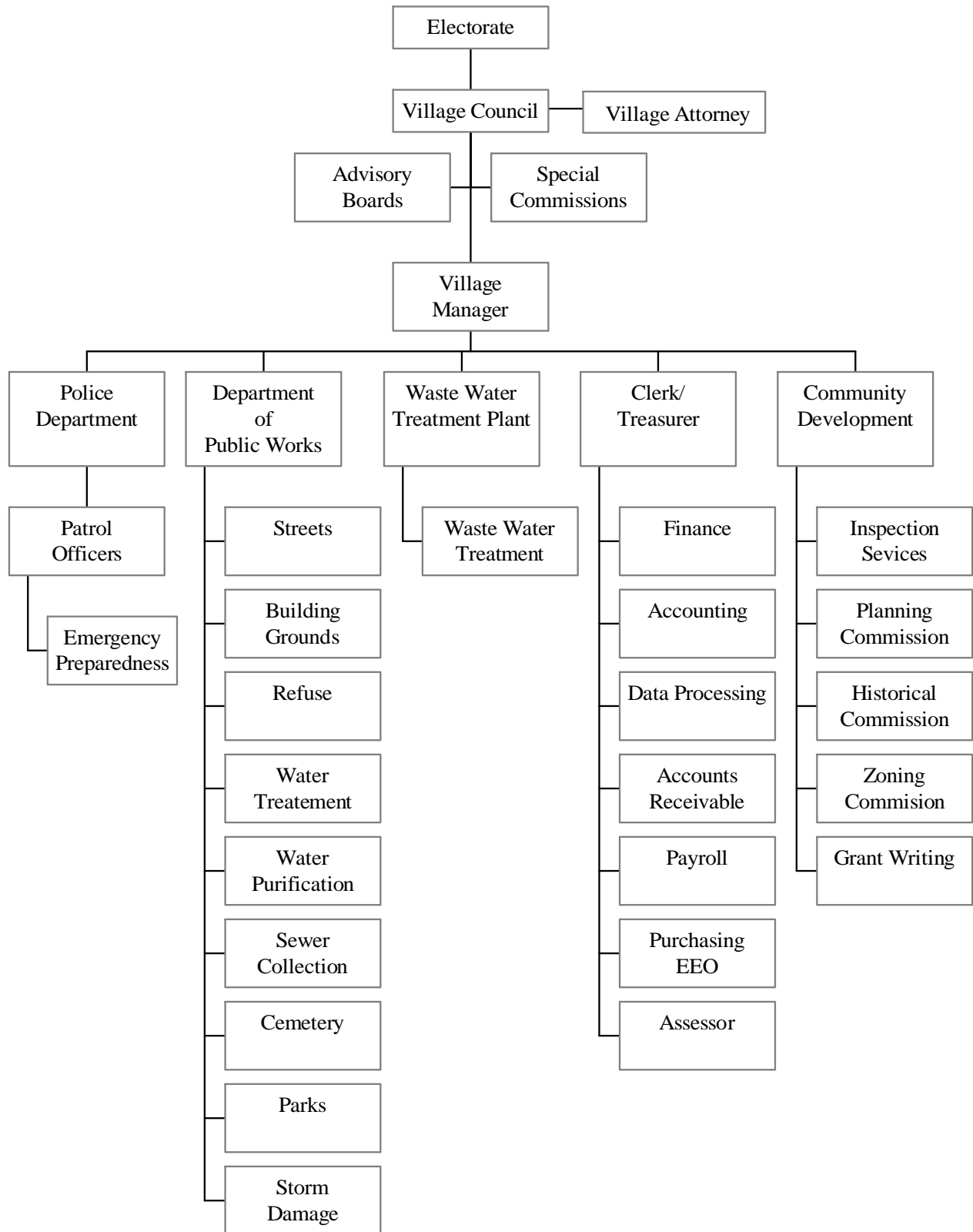
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VILLAGE OF HOLLY ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Holly,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, reading "Nancy L. Ziehlke".

President

A handwritten signature in black ink, reading "Jeffrey R. Emer".

Executive Director



"Proud of our past, confident in our future"

October 4, 2005

To the Citizens of
Village of Holly, Michigan:

The Comprehensive Annual Financial Report of the Village of Holly, Michigan, for the fiscal year ended June 30, 2005 is submitted herewith. This report was prepared by the Village of Holly Treasurer's office with assistance from the Village's Independent Auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Village. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Village, as measured by the financial activity of its various funds; and that the disclosures necessary to enable the reader to gain the maximum understanding of the Village's financial activity have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The **introductory section** includes this transmittal letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **financial section** includes Management's Discussion and Analysis, the basic financial statements and the combining fund statements, as well as the auditor's report on the financial statements. The **statistical section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

This report includes all funds of the Village and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." The Village has implemented GASB Statement No. 14, which sets forth criteria for including/excluding certain related entities in the Village's financial statements. As a result, the Holly Downtown Development Authority and the Economic Development Corporation of the Village of Holly have been discretely presented as component units in the financial statements.

Management's discussion and analysis (MD & A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT:

The management of the Village is overseen by an elected Council. The Council consists of seven members. They have the responsibility of making appropriations to all Village functions and establishing policy for all Village operations. The Council appoints a manager who has the overall responsibility to oversee the administrative duties of the Village.

The Village provides many services to the Village residents including administration, police patrol, public works, recreation and water and sewer services.

FACTORS AFFECTING FINANCIAL CONDITION:

Local Economy:

The Village of Holly is a growing community located in an area rich in natural resources. With six lakes in the Village in addition to the Shiawassee River and four major recreational areas within five miles, Holly is an attractive place to live, work and play.

The Village of Holly continues to prosper from positive growth. In June of 2004, the Village Planning Commission approved a 57 unit condominium development. Village officials meet regularly with interested developers. Discussions have included the construction of condominium units, single family homes, office buildings, and additional retail space.

The Downtown Development Authority and the Holly Chamber of Commerce are continuing to promote the Village of Holly through special events and activities. The Downtown Development Authority is in the beginning stages of designing a new streetscape for the downtown. This investment in the downtown should make the downtown more attractive and user friendly for visitors.

The Village of Holly is in the process of completing two large scale public works projects which should provide the Village with a competitive advantage over communities that have not made infrastructure upgrades.

Major Initiatives:

The Village of Holly will complete two large scale public works projects over the next year. The first is the expansion of the Village of Holly's wastewater treatment plant (\$13,000,000 investment) and the second is the expansion of the Village of Holly's water utility (\$6,000,000 investment). These upgrades will provide the Village with a competitive advantage over neighboring communities.

The Village of Holly is also investing in its transportation network. Over the next year the Village will invest approximately five hundred thousand dollars (\$500,000) into sidewalk reconstruction and street resurfacing and reconstruction. The Village of Holly has not dedicated this level of resources towards transportation in over a decade. A comprehensive transportation system will allow people and goods to travel throughout the community which will improve the local economy and the quality of life in the Village.

Financial Management:

Management of the Village is responsible for establishing and maintaining internal control designed to ensure that the assets of the Village are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgeting Control:

The Village maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Village Council. Activities of the General and Special Revenue Funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the departmental level for all funds.

As demonstrated by the statements and schedules included in the financial section of this report, the Village continues to meet its responsibility for sound financial management.

Cash Management:

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in time deposits, including municipal investment pools, ranging from overnight to medium short-term investments. Longer investment periods were utilized by the Village to take advantage of higher interest rates.

Risk Management:

The Village carries a variety of commercial insurance coverage. This includes coverage for workers' compensation, property loss, general liability, public officials liability and employees liability.

OTHER INFORMATION:**Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the Village Council to perform the Village's annual audit. The auditor's report on the financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

Accounting Systems and Reports:

The Village's accounting records for traditional governmental operations; i.e., General Fund and Special Revenue Funds are maintained on a modified accrual basis of accounting. As a result, the more significant revenues such as property taxes, intergovernmental revenues and investment earnings are recognized as earned and other revenues are generally recognized only when received. Expenditures are recorded when incurred and encumbrances placed when purchase orders are issued.

Awards:

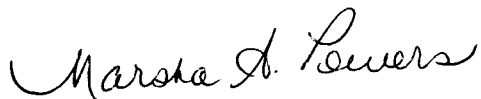
It is with great pleasure I report that last year's 2004 Comprehensive Annual Financial Report, as approved by the Village Council, did again receive the Certificate of Achievement for Excellence in Financial Reporting as given by the Government Finance Officers Association (GFOA). The receipt of this award indicates that the Village of Holly has achieved the highest standards in government accounting and financial reporting as prescribed by the accounting and reporting profession. This Certificate has been inserted as part of the Introductory Section of this report.

Acknowledgements:

The completion of this report on a timely basis could not have been accomplished without the cooperation of the Village staff. I would like to express my appreciation to those who assisted and contributed to its preparation.

Finally, I would like to thank the Village Manager and Council members for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted.

A handwritten signature in cursive script that reads "Marsha A. Powers".

Marsha A. Powers,
Clerk-Treasurer, CMC-CPFA

FINANCIAL SECTION

This section is composed of the following parts:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Supplementary Information



INDEPENDENT AUDITORS' REPORT

August 16, 2005

Village Council
Village of Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Village of Holly, Michigan***, as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Village of Holly, Michigan***, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2005, on our consideration of the ***Village of Holly, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Village of Holly, Michigan's* basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

As management of the *Village of Holly, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here.

Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$ 17,884,417 (*net assets*). Of this amount, \$8,483,386 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$349,294.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,857,013, a decrease of \$95,681 in comparison with the prior year. 100 percent of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$464,475 or 13 percent of total general fund expenditures.
- The Village's total debt decreased by \$246,109 during the current fiscal year as a result of principal payments throughout the 2004/2005 fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, elections, clerk and treasurer, public safety, inspections, planning and zoning, public works, and highways and streets. The business-type activities of the Village include sewer and water operations.

The government-wide financial statements include not only the Village of Holly itself (known as the primary government), but also a legally separate Downtown Development Authority and Economic Development Corporation, for which the Village is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

Proprietary funds. The Village maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village of Holly uses an internal service fund to account for its motor pool fleet operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 25-26 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-48 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Holly, assets exceeded liabilities by \$17,884,417 at the close of the most recent fiscal year.

One of the largest portions of the Village's net assets (70.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Holly's Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 1,994,193	\$ 1,796,815	\$ 7,804,679	\$ 3,448,419	\$ 9,798,872	\$ 5,245,234
Capital assets	1,915,530	1,589,533	15,835,916	12,129,361	17,701,446	13,718,894
Total assets	<u>3,909,723</u>	<u>3,386,348</u>	<u>23,640,595</u>	<u>15,577,780</u>	<u>27,550,318</u>	<u>18,964,128</u>
Long-term liabilities	305,280	204,090	8,400,334	2,101,471	8,705,614	2,305,561
Other liabilities	157,791	155,726	802,496	42,861	960,287	198,587
Total liabilities	<u>463,071</u>	<u>359,816</u>	<u>9,202,830</u>	<u>2,144,332</u>	<u>9,665,901</u>	<u>2,504,148</u>
Net assets:						
Invested in capital assets, net of related debt	1,729,878	1,589,533	7,373,232	10,044,791	9,103,110	11,634,324
Restricted	-	-	297,921	159,282	297,921	159,282
Unrestricted	<u>1,716,774</u>	<u>1,436,999</u>	<u>6,766,612</u>	<u>3,229,375</u>	<u>8,483,386</u>	<u>4,666,374</u>
Total net assets	<u>\$ 3,446,652</u>	<u>\$ 3,026,532</u>	<u>\$14,437,765</u>	<u>\$13,433,448</u>	<u>\$17,884,417</u>	<u>\$16,459,980</u>

An additional portion of the Village's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8,483,386) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village's net assets increased by \$349,294 in the current fiscal year. This growth largely reflects the degree to which ongoing revenues were exceeded by ongoing expenses.

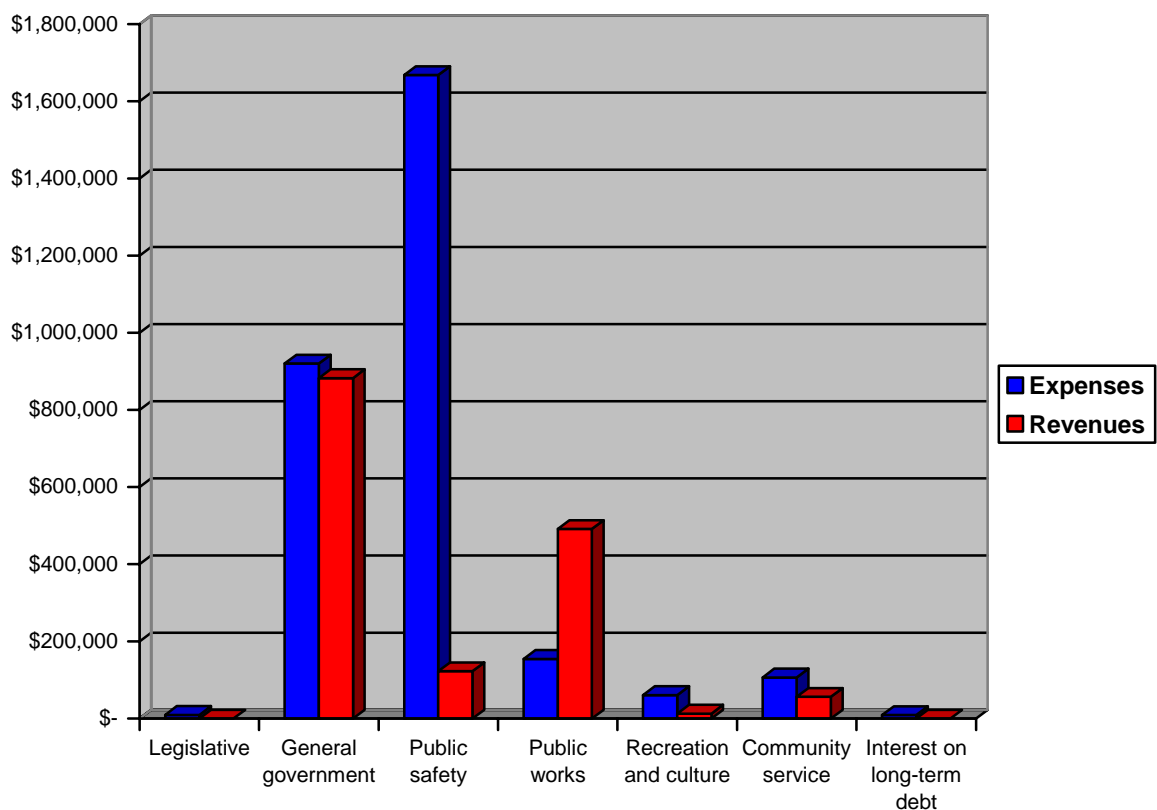
Village of Holly's Changes in Net Assets

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,083,876	\$ 1,030,307	\$ 2,249,662	\$ 3,145,339	\$ 3,333,538	\$ 4,175,646
Operating grants and contributions	373,507	477,307	-	-	373,507	477,307
Capital grants and contributions	108,914	334,243	-	-	108,914	334,243
General revenues:						
Property taxes	1,894,105	1,785,491	-	-	1,894,105	1,785,491
Grants and contribution not restricted to specific programs	636,956	670,323	-	-	636,956	670,323
Other	59,264	59,437	148,674	85,276	207,938	144,713
Total revenues	4,156,622	4,357,108	2,398,336	3,230,615	6,554,958	7,587,723
Expenses:						
Legislative	9,406	4,992	-	-	9,406	4,992
General government	920,191	1,234,097	-	-	920,191	1,234,097
Public safety	1,668,003	1,814,288	-	-	1,668,003	1,814,288
Public works	1,548,814	1,245,508	-	-	1,548,814	1,245,508
Recreation and culture	61,096	71,121	-	-	61,096	71,121
Community service	106,711	162,095	-	-	106,711	162,095
Interest on long-term debt	9,340	4,815	-	-	9,340	4,815
Sewer	-	-	1,114,898	1,439,195	1,114,898	1,439,195
Water	-	-	767,205	655,266	767,205	655,266
Total expenses	4,323,561	4,536,916	1,882,103	2,094,461	6,205,664	6,631,377
Increase (decrease) in net assets	(166,939)	(179,808)	516,233	1,136,154	349,294	956,346
Net assets, beginning	3,613,591	3,206,340	13,921,532	12,297,294	17,535,123	15,503,634
Total net assets	\$ 3,446,652	\$ 3,026,532	\$ 14,437,765	\$ 13,433,448	\$ 17,884,417	\$ 16,459,980

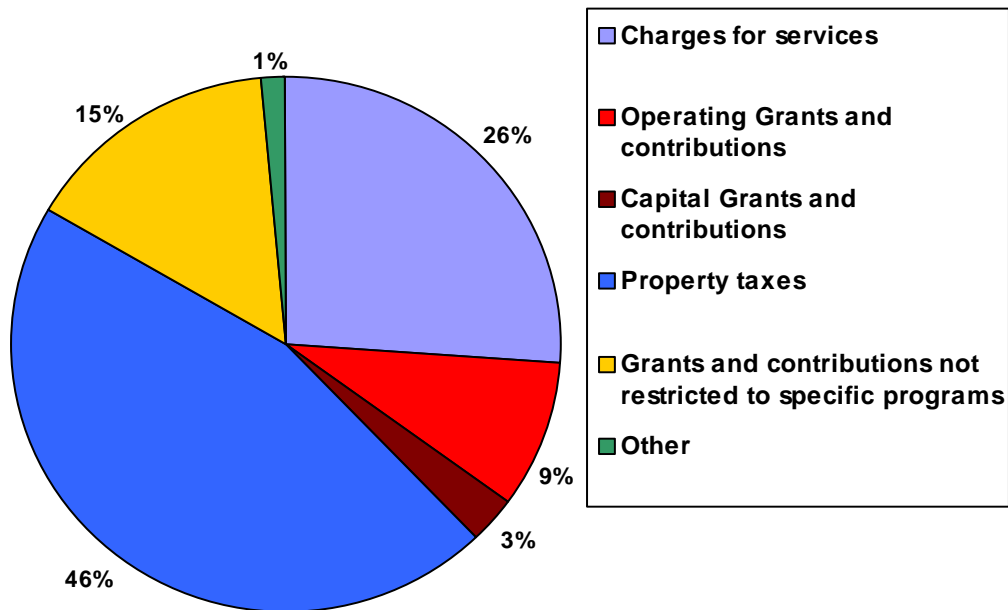
Governmental activities. Governmental activities decreased the Village's net assets by \$166,939, reducing the growth in the business-type activities and resulting in an overall increase in the net assets of the Village. Key elements of this decrease in governmental activities are as follows:

- Operating grants and contributions decreased \$103,800 due to decreases in three grants: COPS, CDBG, and the community foundation grant, which decreased due to decreased spending in these areas or due to the completion of the grants.
- Capital grants and contributions were composed mainly of the grant to widen Grange Hall road. This revenue decreased \$225,329 because the majority of the construction was completed in the prior year.
- Grants and contributions not restricted to specific programs were composed of the sales tax revenues shared by the State of Michigan under the Revenue Sharing Act and the State's allocation was reduced by \$33,367 (4.97 percent) during the year.
- The Village expenses for governmental activities increased \$247,470 (7.48 percent) primarily due to increases in public safety, fire department and public works expenditures.

Expenses and Program Revenues - Governmental Activities



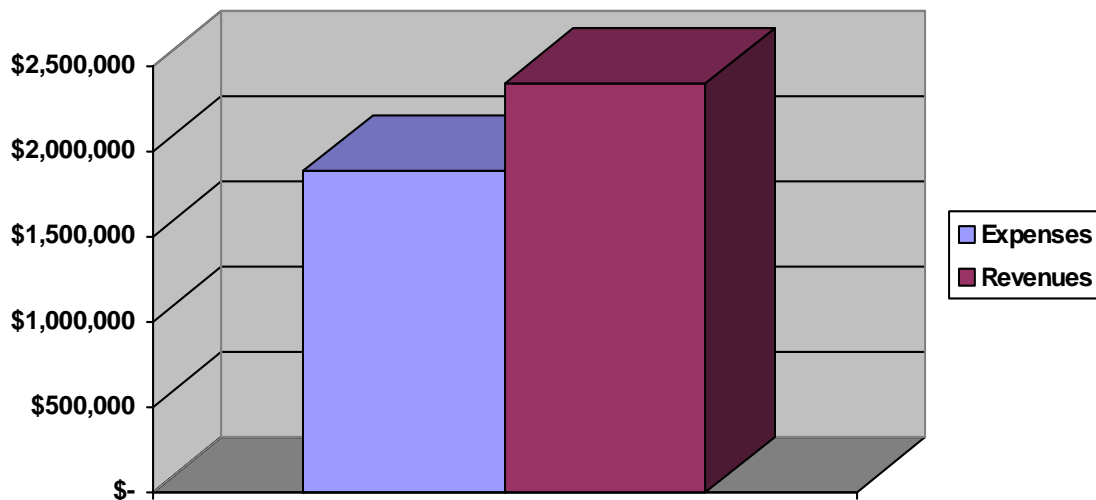
Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the Village's net assets by \$516,233, offsetting the loss in the governmental activities and resulting in an overall increase in the net assets of the Village. Key elements of this increase are as follows:

- Charges for services decreased \$895,677 (39.8 percent) due to a decrease in the number of tap fees and customers added during the year.
- Expenses for providing these services decreased by \$217,506 (12.19 percent) as a result of decreased contractual services.

Expenses and Revenues - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,857,013 a decrease of \$95,681 in comparison with the prior year. The total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$464,475. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unreserved fund balance represents 13 percent of total general fund expenditures.

The fund balance of the Village's general fund decreased by \$98,733 during the current fiscal year. This is primarily attributable to an increase in public safety expenditures and a final pay on a street construction project and a decrease in revenue sharing.

Proprietary funds. The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$6,249,147 and \$504,743, respectively. The sewer fund had an increase in net assets for the year of \$457,209 and the water fund had an increase in net assets for the year of \$46,302. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures resulted in an increase of \$229,598 in appropriations. The largest increase in the budget was in capital outlay of \$135,824.

Budgeted expenditures were exceeded by the actual expenditures, and actual revenues were under budget. Charges for services were under budget because of lower labor and vehicle/equipment charges to other departments. Police department and capital outlay expenditures were over budget due to overtime and a purchase of a fire truck, respectively.

Capital Asset and Debt Administration

Capital assets. The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounted to \$17,751,446 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and vehicles. The total decrease in the Village's investment in capital assets for the current fiscal year was .94 percent for governmental activities.

Major capital asset events during the current fiscal year included the following:

- Pulte Subdivision water and sewer lines
- Purchase of a fire truck, police cruiser and a pickup

Village of Holly's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Construction in progress	\$ 199,439	\$ -	\$ 4,018,925	\$ 308,983	\$ 4,218,364	\$ 308,983
Land	198,000	198,000	50,000	300,000	248,000	498,000
Buildings and infrastructure	1,031,194	959,241	-	-	1,031,194	959,241
Machinery and equipment	67,486	76,942	135,255	111,590	202,741	188,532
Utility plant	-	-	11,631,736	11,408,788	11,631,736	11,408,788
Vehicles	<u>419,411</u>	<u>355,350</u>	<u>-</u>	<u>-</u>	<u>419,411</u>	<u>355,350</u>
Total net assets	<u>\$ 1,915,530</u>	<u>\$ 1,589,533</u>	<u>\$ 15,835,916</u>	<u>\$ 12,129,361</u>	<u>\$ 17,751,446</u>	<u>\$ 13,718,894</u>

Additional information on the Village's capital assets can be found in note III.C on pages 40-42 of this report.

Long-term debt. At the end of the current fiscal year, the Village had the following bonds outstanding:

Village of Holly's Outstanding Debt
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation and revenue bonds	\$ <u> -</u>	\$ <u> -</u>	\$ <u>8,440,000</u>	\$ <u>2,055,000</u>	\$ <u>8,440,000</u>	\$ <u>2,055,000</u>

The Village's total debt decreased by \$239,223 (2.81 percent) during the current fiscal year, with the principal payments being the primary change during the current fiscal year. The village increased the total debt by \$6,500,000 for the expansion of the wastewater treatment plant bonding.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Village is \$13,500,328, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III.F on pages 43-45 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Village's budget for the 2005-06 fiscal year:

- The February 2004 unemployment rate for the North Oakland County metropolitan area was 6.2 percent, which is an increase from a rate of 5.3 percent a year ago. This was lower than the state's February 2004 average unemployment rate of 8.6 percent and higher than the national average rate of 5.9 percent.
- The Village is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

Requests for Information

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's office, 212 Saginaw Street, Holly, Michigan.

VILLAGE OF HOLLY
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	\$ 371,384	\$ 4,827,168	\$ 5,198,552	\$ 52,439
Investments	1,456,689	2,535,292	3,991,981	175,565
Receivables	178,842	369,785	548,627	670
Internal balances	(12,722)	12,722	-	-
Inventory	-	59,712	59,712	-
Nondepreciable capital assets	397,439	4,068,925	4,466,364	-
Depreciable capital assets, net	1,518,091	11,766,991	13,285,082	-
Total assets	3,909,723	23,640,595	27,550,318	228,674
Liabilities				
Accounts payable and accrued expenses	157,791	802,496	960,287	1,602
Noncurrent liabilities:				
Due within one year	37,662	131,426	169,088	-
Due in more than one year	267,618	8,268,908	8,536,526	-
Total liabilities	463,071	9,202,830	9,665,901	1,602
Net Assets				
Invested in capital assets, net of related debt	1,729,878	7,373,232	9,103,110	-
Restricted for:				
Bond and interest redemption	-	297,921	297,921	-
Unrestricted	1,716,774	6,766,612	8,483,386	227,072
Total net assets	\$ 3,446,652	\$ 14,437,765	\$ 17,884,417	\$ 227,072

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government					
Governmental activities:					
Legislative	\$ 9,406	\$ -	\$ -	\$ -	\$ (9,406)
General government	920,191	882,453	-	-	(37,738)
Public safety	1,668,003	118,033	4,862	-	(1,545,108)
Public works	1,548,814	27,979	354,360	108,914	(1,057,561)
Recreation and culture	61,096	13,218	-	-	(47,878)
Community service	106,711	42,193	14,285	-	(50,233)
Interest on long-term debt	9,340	-	-	-	(9,340)
Total governmental activities	4,323,561	1,083,876	373,507	108,914	(2,757,264)
Business-type activities:					
Sewer	1,114,898	1,442,452	-	-	327,554
Water	767,205	807,210	-	-	40,005
Total business-type activities	1,882,103	2,249,662	-	-	367,559
Total primary government	<u>\$6,205,664</u>	<u>\$ 3,333,538</u>	<u>\$ 373,507</u>	<u>\$ 108,914</u>	<u>\$ (2,389,705)</u>
Component units:					
Downtown Development Authority	\$ 111,286	\$ 2,230	\$ -	\$ -	\$ (109,056)
Economic Development Corporation	-	-	-	-	-
Total component units	<u>\$ 111,286</u>	<u>\$ 2,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (109,056)</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (2,757,264)	\$ 367,559	\$ (2,389,705)	\$ (109,056)
General revenues:				
Property taxes	1,894,105	-	1,894,105	176,420
Grants and contributions not restricted to specific programs	636,956	-	636,956	-
Unrestricted investment earnings	59,264	148,674	207,938	3,651
Total general revenues	2,590,325	148,674	2,738,999	180,071
Change in net assets	(166,939)	516,233	349,294	71,015
Net assets, beginning of year, as restated	3,613,591	13,921,532	17,535,123	156,057
Net assets, end of year	<u>\$ 3,446,652</u>	<u>\$ 14,437,765</u>	<u>\$ 17,884,417</u>	<u>\$ 227,072</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

ASSETS	General	Other Governmental Funds	Total
Cash and cash equivalents	\$ 76,434	\$ 284,961	\$ 361,395
Investments	361,579	1,095,110	1,456,689
Receivables:			
Accounts	2,786	2,009	4,795
Taxes - delinquent	13,219	2,529	15,748
Special assessments	-	35,248	35,248
Contracts receivable	9,391	-	9,391
Due from other funds	78,118	-	78,118
Due from other governmental units	90,629	23,031	113,660
TOTAL ASSETS	\$ 632,156	\$ 1,442,888	\$ 2,075,044
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 87,414	\$ 11,086	\$ 98,500
Accrued liabilities	57,657	1,111	58,768
Due to other funds	-	16,125	16,125
Deferred revenue	22,610	22,028	44,638
TOTAL LIABILITIES	167,681	50,350	218,031
FUND BALANCES			
Unreserved			
Designated for special projects	7,095	-	7,095
Undesignated - reported in:			
General fund	457,380	-	457,380
Special revenue funds	-	1,392,538	1,392,538
TOTAL FUND BALANCES	464,475	1,392,538	1,857,013
TOTAL LIABILITIES AND FUND BALANCES	\$ 632,156	\$ 1,442,888	\$ 2,075,044

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Fund balances - total governmental funds	\$ 1,857,013
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	8,844,271
Deduct - accumulated depreciation	(6,980,745)

Other long-term assets are not available to pay for current period expenditures and, therefore, either deferred or otherwise not recorded in the funds

Add - deferred revenue for delinquent taxes receivable	15,748
Add - deferred revenue for long-term special assessments receivable	19,499
Add - deferred revenue for long-term contracts receivable	9,391

An internal service fund is used by management to charge the costs of certain equipment and vehicle usage to governmental funds. The assets and liabilities of the internal service fund is partially included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	(12,722)
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - long-term debt	(185,652)
Deduct - accrued interest on long-term debt	(523)
Deduct - long-term portion of compensated absences	(119,628)

Net assets of governmental activities	<u><u>\$ 3,446,652</u></u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	General	Other Governmental Funds	Total
REVENUES			
Taxes and special assessments	\$ 1,564,668	\$ 347,724	\$ 1,912,392
Licenses and permits	65,979	-	65,979
Intergovernmental:			
State and federal grants	113,776	14,285	128,061
State shared revenue	636,956	354,360	991,316
Charges for services	748,678	173,619	922,297
Fines and forfeitures	40,142	-	40,142
Interest	32,371	26,893	59,264
Other	32,996	23,964	56,960
TOTAL REVENUES	3,235,566	940,845	4,176,411
EXPENDITURES			
Current:			
Legislative	9,604	-	9,604
General government	711,561	-	711,561
Public safety	1,550,497	-	1,550,497
Public works	600,205	322,983	923,188
Recreation and culture	-	54,117	54,117
Community service	46,152	60,559	106,711
Cemetery	-	117,183	117,183
Sanitation	-	189,586	189,586
Inspections	-	70,873	70,873
Debt service	40,123	95,404	135,527
Capital outlay	594,297	27,088	621,385
TOTAL EXPENDITURES	3,552,439	937,793	4,490,232
REVENUES OVER (UNDER) EXPENDITURES	(316,873)	3,052	(313,821)
OTHER FINANCING SOURCES			
Proceeds from capital leases	218,140	-	218,140
NET CHANGE IN FUND BALANCES	(98,733)	3,052	(95,681)
FUND BALANCES, BEGINNING OF YEAR	563,208	1,389,486	1,952,694
FUND BALANCES, END OF YEAR	\$ 464,475	\$ 1,392,538	\$ 1,857,013

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$ (95,681)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	525,291
Deduct - depreciation expense	(510,558)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds, rather they are deferred to the following fiscal year

Deduct - decrease in delinquent property taxes	(542)
Deduct - decrease in long-term portion of special assessments	(6,494)
Deduct - decrease in contracts receivable	(12,753)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - proceeds from capital leases	(218,140)
Add - principal payments on long-term liabilities	124,223

An internal service fund is used by management to charge the costs of certain equipment and vehicle usage to governmental funds. The net revenue (expense) of the fund is partially reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	40,932
Deduct - loss on disposal of capital assets	(7,908)

Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,964
Deduct - increase in the accrual for compensated absences	(7,273)

Change in net assets of governmental activities	\$ <u>(166,939)</u>
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The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes and special assessments	\$ 1,553,842	\$ 1,553,842	\$ 1,564,668	\$ 10,826
Licenses and permits	73,539	73,539	65,979	(7,560)
Intergovernmental:				
State and federal grants	18,666	112,410	113,776	1,366
State shared revenue	674,789	636,956	636,956	-
Charges for services	836,084	907,986	748,678	(159,308)
Fines and forfeitures	32,000	32,000	40,142	8,142
Interest and rents	10,000	10,000	32,371	22,371
Other	15,500	15,500	32,996	17,496
TOTAL REVENUES	3,214,420	3,342,233	3,235,566	(106,667)
EXPENDITURES				
LEGISLATIVE				
Village council	10,554	10,554	9,604	950
GENERAL GOVERNMENT				
Village manager	139,688	139,688	122,851	16,837
Legal	27,000	27,000	44,591	(17,591)
Data processing	9,866	9,866	5,624	4,242
Clerk - Treasurer	239,251	239,251	243,995	(4,744)
Building and grounds	96,155	189,929	140,854	49,075
Trees	5,450	5,450	4,257	1,193
Other	154,462	154,462	149,389	5,073
TOTAL GENERAL GOVERNMENT	671,872	765,646	711,561	54,085
PUBLIC SAFETY				
Police department	1,285,251	1,285,251	1,379,579	(94,328)
Fire department	230,326	230,326	170,918	59,408
TOTAL PUBLIC SAFETY	1,515,577	1,515,577	1,550,497	(34,920)
PUBLIC WORKS				
Public works department	572,055	572,055	600,125	(28,070)
Landfill site cleanup	1,100	1,100	80	1,020
TOTAL PUBLIC WORKS	573,155	573,155	600,205	(27,050)

(Continued)

VILLAGE OF HOLLY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
COMMUNITY SERVICES				
Inspection services	\$ 46,443	\$ 46,443	\$ 46,152	\$ 291
DEBT SERVICE	39,698	39,698	40,123	(425)
CAPITAL OUTLAY	198,784	334,608	594,297	(259,689)
TOTAL EXPENDITURES	3,056,083	3,285,681	3,552,439	(266,758)
REVENUES OVER (UNDER) EXPENDITURES	158,337	56,552	(316,873)	(373,425)
OTHER FINANCING SOURCES (USES)				
Proceeds from capital leases	-	218,140	218,140	-
Transfers (out)	-	(157,338)	-	157,338
TOTAL OTHER FINANCING SOURCES (USES)	-	60,802	218,140	157,338
NET CHANGE IN FUND BALANCE	158,337	117,354	(98,733)	(216,087)
FUND BALANCE, BEGINNING OF YEAR	563,208	563,208	563,208	-
FUND BALANCE, END OF YEAR	<u>\$ 721,545</u>	<u>\$ 680,562</u>	<u>\$ 464,475</u>	<u>\$ (216,087)</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Total	Internal Service
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 4,707,349	\$ 119,819	\$ 4,827,168	\$ 9,989
Investments	2,071,156	464,136	2,535,292	-
Accounts receivable	239,982	129,803	369,785	-
Inventory	59,712	-	59,712	-
TOTAL CURRENT ASSETS	7,078,199	713,758	7,791,957	9,989
NONCURRENT ASSETS				
CAPITAL ASSETS				
Land	50,000	-	50,000	-
Construction in progress	3,931,921	87,004	4,018,925	-
Plant and equipment	14,929,161	5,135,862	20,065,023	346,790
Less allowance for accumulated depreciation	(6,830,538)	(1,467,494)	(8,298,032)	(294,786)
NET CAPITAL ASSETS	12,080,544	3,755,372	15,835,916	52,004
Unamortized bond discount	93,068	-	93,068	-
TOTAL NONCURRENT ASSETS	12,173,612	3,755,372	15,928,984	52,004
TOTAL ASSETS	19,251,811	4,469,130	23,720,941	61,993
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 723,555	\$ 25,013	\$ 748,568	\$ -
Accrued liabilities	5,850	3,378	9,228	-
Accrued compensated absences, current portion	2,106	2,106	4,212	-
Due to other funds	-	-	-	61,993
Accrued interest payable	34,714	8,305	43,019	-
Deposits payable	-	1,681	1,681	-
Lease payable, current portion	3,607	3,607	7,214	-
Bonds payable, current portion	-	120,000	120,000	-
TOTAL CURRENT LIABILITIES	769,832	164,090	933,922	61,993
LONG-TERM LIABILITIES				
Accrued compensated absences, net of current portion	18,482	8,024	26,506	-
Lease payable, net of current portion	7,735	7,735	15,470	-
Bonds payable, net of current portion	6,500,000	1,820,000	8,320,000	-
TOTAL LONG-TERM LIABILITIES	6,526,217	1,835,759	8,361,976	-
TOTAL LIABILITIES	7,296,049	1,999,849	9,295,898	61,993
NET ASSETS				
Investment in capital assets, net of related debt	5,569,202	1,804,030	7,373,232	-
Restricted for bond and interest redemption	137,413	160,508	297,921	-
Unrestricted	6,249,147	504,743	6,753,890	-
TOTAL NET ASSETS	\$ 11,955,762	\$ 2,469,281	14,425,043	\$ -
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			12,722	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 14,437,765	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	Sewer	Water	Total	Governmental Activities Internal Service
OPERATING REVENUES				
Charges for services	\$ 1,442,452	\$ 737,191	\$ 2,179,643	\$ 87,711
Miscellaneous	-	70,019	70,019	-
TOTAL OPERATING REVENUES	1,442,452	807,210	2,249,662	87,711
OPERATING EXPENSES				
Salaries and wages	325,313	223,907	549,220	7,345
Employee benefits	113,206	57,630	170,836	-
Supplies	64,916	67,422	132,338	42
Contractual services	59,072	27,101	86,173	-
Insurance	24,627	13,297	37,924	-
Utilities	70,561	51,558	122,119	-
Repairs and maintenance	16,976	68,124	85,100	-
Equipment rental	27,001	37,230	64,231	-
Depreciation	311,243	116,713	427,956	25,003
Miscellaneous	67,672	40,714	108,386	1,667
TOTAL OPERATING EXPENSES	1,080,587	703,696	1,784,283	34,057
OPERATING INCOME	361,865	103,514	465,379	53,654
NONOPERATING REVENUES (EXPENSES)				
Interest revenues	134,833	13,841	148,674	-
Amortization of bond discount	(4,432)	-	(4,432)	-
Loss on disposal of capital assets	-	-	-	(7,908)
Interest expense	(35,057)	(71,053)	(106,110)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	95,344	(57,212)	38,132	(7,908)
CHANGE IN NET ASSETS	457,209	46,302	503,511	45,746
NET ASSETS (DEFICIT), BEGINNING OF YEAR, AS RESTATED	11,498,553	2,422,979	13,921,532	(45,746)
NET ASSETS, END OF YEAR	\$ 11,955,762	\$ 2,469,281	\$ 14,425,043	\$ -
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			12,722	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			\$ 14,437,765	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2005**

	Sewer	Water	Total	Governmental Activities Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,468,897	\$ 716,800	\$ 2,185,697	\$ 86,590
Receipts from interfund services provided	-	-	-	(67,547)
Payments to employees	(438,519)	(281,537)	(720,056)	(7,345)
Payments to suppliers	428,883	(291,702)	137,181	(1,709)
Other operating revenue	-	70,019	70,019	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,459,261	213,580	1,672,841	9,989
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from bonds payable, net of discount of \$97,500	6,402,500	-	6,402,500	-
Principal paid on bonds and leases payable	(3,343)	(118,343)	(121,686)	-
Interest and fiscal charges paid on bonds and leases payable	(35,057)	(71,053)	(106,110)	-
Acquisition and construction of capital assets	(3,537,421)	(109,006)	(3,646,427)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	2,826,679	(298,402)	2,528,277	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(235,573)	-	(235,573)	-
Proceeds from sale and maturities of investments	-	45,740	45,740	-
Interest on investments	134,833	13,841	148,674	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(100,740)	59,581	(41,159)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,185,200	(25,241)	4,159,959	9,989
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	522,149	145,060	667,209	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,707,349	\$ 119,819	\$ 4,827,168	\$ 9,989
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income	\$ 361,865	\$ 103,514	\$ 465,379	\$ 53,654
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	311,243	116,713	427,956	25,003
Changes in assets and liabilities:				
Accounts receivable	26,445	(20,391)	6,054	(1,121)
Accounts payable and other accrued liabilities	759,708	16,144	775,852	-
Due to other funds	-	-	-	(67,547)
Deposits payable	-	(2,400)	(2,400)	-
Net cash provided (used) by operating activities	\$ 1,459,261	\$ 213,580	\$ 1,672,841	\$ 9,989

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2005**

<u>ASSETS</u>	<u>OTHER EMPLOYEE BENEFIT TRUST FUND</u>	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ 12,475	\$ 19,789
Investments	<u>415,122</u>	<u>61,802</u>
<u>TOTAL ASSETS</u>	<u>427,597</u>	<u>\$ 81,591</u>
 LIABILITIES		
Deposits payable	<u>-</u>	<u>\$ 81,591</u>
Net assets held in trust	<u>\$ 427,597</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>OTHER EMPLOYEE BENEFIT TRUST FUND</u>
ADDITIONS	
Contributions:	
Employer	\$ 69,714
Employee	<u>6,868</u>
Total contributions	<u>76,582</u>
Investment income:	
Net increase in fair value of investments	25,717
Dividend income	<u>4,134</u>
Net investment income	29,851
TOTAL ADDITIONS	<u>106,433</u>
DEDUCTIONS	
Retiree health care	<u>14,457</u>
CHANGE IN NET ASSETS	91,976
NET ASSETS HELD IN TRUST	
Beginning of year	<u>335,621</u>
End of year	<u><u>\$ 427,597</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 2005

	Downtown Development Authority	Economic Development Corporation	Total
<hr/>			
ASSETS			
Cash and cash equivalents	\$ 47,921	\$ 4,518	\$ 52,439
Investments	158,203	17,362	175,565
Accounts receivables	310	30	340
Taxes receivable	330	-	330
	<hr/>		
TOTAL ASSETS	206,764	21,910	228,674
LIABILITIES			
Accrued liabilities	1,602	-	1,602
	<hr/>		
NET ASSETS			
Unrestricted	\$ 205,162	\$ 21,910	\$ 227,072
	<hr/> <hr/>		

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY, MICHIGAN
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
Expenses			
Economic development	\$ (111,286)	\$ -	\$ (111,286)
Program revenues			
Charges for services	<u>2,230</u>	<u>-</u>	<u>2,230</u>
Net (expense) revenue	<u>(109,056)</u>	<u>-</u>	<u>(109,056)</u>
General revenues:			
Property taxes	176,420	-	176,420
Unrestricted investment earnings	<u>3,309</u>	<u>342</u>	<u>3,651</u>
Total general revenues	<u>179,729</u>	<u>342</u>	<u>180,071</u>
Change in net assets	70,673	342	71,015
Net assets, beginning of year	<u>134,489</u>	<u>21,568</u>	<u>156,057</u>
Net assets, end of year	<u><u>\$ 205,162</u></u>	<u><u>\$ 21,910</u></u>	<u><u>\$ 227,072</u></u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Holly, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. REPORTING ENTITY

The Village of Holly is governed by a seven member council. As required by generally accepted accounting principles, these financial statements present the Village and its component units – entities for which the Village is considered to be financially accountable.

The component unit column in the combined financial statements represents a total of the Village's discretely presented component units as detailed in the combining component unit financial statements. They are reported in a separate column to emphasize that they are legally separate from the Village.

The governing bodies of the Downtown Development Authority (DDA) and Economic Development Corporation (EDC), are appointed by the Village Council. These component units provide economic development services inside the Village limits. These entities are fiscally dependent on the Village because the Village Council is responsible for approving their annual operating budgets and any debt issuances. All component units are accounted for as governmental fund types. Separate financial statements for the DDA and EDC are not prepared.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government, and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *General Fund* is the principal operating fund of the Village. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Water Fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Village reports the following fund types:

The *Internal service fund* provides vehicle and equipment use to other departments or agencies of the government on a cost reimbursement basis.

The *Other Employee Benefit Trust Fund* accounts for trust arrangements for the Retiree Health Care fund, which accumulates resources held in trust for that specific purpose.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer and Water enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value. State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied each July 1 on the taxable valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levy is considered past due on September 30 with the final collection date of February 28, when they are added to the county tax rolls.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Real property taxes not collected as of March 1 are turned over to Oakland County for collection, which advances the Village 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

3. INVENTORY

Inventory in the Sewer Enterprise Fund is valued at cost using the "first-in, first-out" (FIFO) method of accounting. The costs of expendable supplies in other funds are recorded as expenditures when purchased.

4. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment (the Village owns infrastructure assets such as water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Village chose to include all roads and streets regardless of their acquisition date or amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. Interest expense of \$160,315 was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Land improvements	50
Infrastructure	5-30
Machinery & equipment	5-20
Vehicles	3-10
Utility plant in service	5-50

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

7. INTERFUND TRANSACTIONS

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

The Internal Service Fund is used to record charges for services to all Village departments and funds as operating revenue. All affected Village funds record these payments to the Internal Service Fund as operating expenditures or expenses.

8. COMPENSATED ABSENCES

Accumulated sick and vacation is accrued when incurred in the government wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

9. RISK MANAGEMENT

The Village is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis which is consistent with generally accepted accounting principles.

Budget appropriations are prepared by the Village Manager and authorized by the Village Council on a departmental basis in accordance with sections of the Village Charter. All budget amendments, and interdepartmental budget transfers must be approved by the Village Council. The Village Manager can transfer budget amounts within departments without approval of the Village Council. Budgetary control is exercised at the department level for all funds.

The Village does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

The following funds had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
General Fund			
General government:			
Legal	\$ 27,000	\$ 44,591	\$ (17,591)
Clerk/treasurer	239,251	243,995	(4,744)
Public safety			
Police department	1,285,251	1,379,579	(94,328)
Public works			
Public works department	572,055	600,125	(28,070)

VILLAGE OF HOLLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
General Fund (continued)			
Debt service	39,698	40,123	(425)
Capital outlay	334,608	594,297	(259,689)
Local Street Fund			
Winter maintenance	35,132	38,397	(3,265)
Municipal Street Fund			
Capital outlay	\$ 6,000	\$ 6,569	\$ (569)
Parks and Recreation Fund			
Capital outlay	3,250	6,366	(3,116)
Cemetery Fund			
Capital outlay	3,575	14,153	(10,578)
Lake Improvement Fund			
Recreation and culture	4,820	7,751	(2,931)
Holly Transportation Fund			
Community service	45,095	45,572	(477)

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 5,198,552
Investments	3,991,981
Component Units:	
Cash and cash equivalents	52,439
Investments	175,565
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	32,264
Investments	<u>476,924</u>
Total	<u><u>\$ 9,927,725</u></u>

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Notes to Financial Statements:

Deposits	\$ 8,834,000
Investments	1,092,525
Cash on hand	<u>1,200</u>
 Total	 <u>\$ 9,927,725</u>

Statutory Authority

The Village is authorized by the State to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Village's investment policy allows investments in banker's acceptances of United States banks only if they are rated at the time of purchase within the two highest classifications established by not less than two standard rating services. Obligations described above are only allowed if purchased through an interlocal agreement under the Urban Cooperation Act of 1967. Also, mutual funds must be limited to securities whose intention is to maintain a net asset value of \$1 per share which are rated at the time of purchase within the two highest classifications established by not less than two standard rating services.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Deposits and investments

The Village chooses to disclose its investments by specifically identifying each. As of June 30, 2005, the Village had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Munder mutual fund	n/a	\$ 367,187	Moody's AAAm
Bank One mutual fund	n/a	549,266	Moody's AAA
Standard Federal fund	n/a	176,072	Moody's & S&P AAA
		<u>\$1,092,525</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. State law does not require and the Village does not have a policy for deposit custodial credit risk. As of year end \$8,320,666 of the Village's bank balance of \$8,720,666 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Village does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The Village's investment policy does not have specific limits in excess of state law on concentration of credit risk. Each of the investments listed above are in excess of 5% of the Village's total investments. All investments held at year end are reported above.

B. RECEIVABLES

Receivables in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 15,748	\$ -	\$ 330
Special assessments			
Due within one year	15,749	-	-
Due after one year	19,499	-	-
Accounts	1,966	365,762	-
Contracts			
Due within one year	2,163	-	-
Due after one year	7,228	-	-
Interest	2,829	4,023	340
Intergovernmental	113,660	-	-
Total	<u>\$ 178,842</u>	<u>\$ 369,785</u>	<u>\$ 670</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes receivable (General Fund)	\$ 13,219
Property taxes receivable (Non-major Governmental fund types)	2,529
Special assessments	19,499
Contracts receivable	9,391
Total	<u>\$ 44,638</u>

VILLAGE OF HOLLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2005 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 198,000	\$ -	\$ -	\$ 198,000
Construction in progress	<u>192,383</u>	<u>7,056</u>	<u>-</u>	<u>199,439</u>
Total capital assets not being depreciated	<u>390,383</u>	<u>7,056</u>	<u>-</u>	<u>397,439</u>
Capital assets being depreciated:				
Buildings and improvements	1,107,550	59,545	-	1,167,095
Machinery and equipment	341,180	24,978	(15,922)	350,236
Vehicles	634,041	241,360	-	875,401
Infrastructure	<u>6,208,538</u>	<u>192,352</u>	<u>-</u>	<u>6,400,890</u>
Total capital assets being depreciated	<u>8,291,309</u>	<u>518,235</u>	<u>(15,922)</u>	<u>8,793,622</u>
Less accumulated depreciation				
Buildings	(501,799)	(22,039)	-	(523,838)
Machinery and equipment	(264,238)	(26,526)	8,014	(282,750)
Vehicles	(395,720)	(60,270)	-	(455,990)
Infrastructure	<u>(5,586,227)</u>	<u>(426,726)</u>	<u>-</u>	<u>(6,012,953)</u>
Total accumulated depreciation	<u>(6,747,984)</u>	<u>(535,561)</u>	<u>8,014</u>	<u>(7,275,531)</u>
Capital assets being depreciated, net	<u>1,543,325</u>	<u>(17,326)</u>	<u>(7,908)</u>	<u>1,518,091</u>
Governmental activities capital assets, net	<u>\$ 1,933,708</u>	<u>\$ (10,270)</u>	<u>\$ (7,908)</u>	<u>\$1,915,530</u>

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Construction in progress	<u>747,067</u>	<u>3,615,872</u>	<u>(344,014)</u>	<u>4,018,925</u>
Capital assets not being depreciated	<u>797,067</u>	<u>3,615,872</u>	<u>(344,014)</u>	<u>4,068,925</u>
Capital assets being depreciated:				
Plant	19,304,719	344,014	-	19,648,733
Equipment and vehicles	<u>385,735</u>	<u>30,555</u>	<u>-</u>	<u>416,290</u>
Total capital assets being depreciated	<u>19,690,454</u>	<u>374,569</u>	<u>-</u>	<u>20,065,023</u>
Less accumulated depreciation				
Plant	(7,618,720)	(398,277)	-	(8,016,997)
Equipment and vehicles	<u>(251,356)</u>	<u>(29,679)</u>	<u>-</u>	<u>(281,035)</u>
Total accumulated depreciation	<u>(7,870,076)</u>	<u>(427,956)</u>	<u>-</u>	<u>(8,298,032)</u>
Capital assets being depreciated, net	<u>11,820,378</u>	<u>(53,387)</u>	<u>-</u>	<u>11,766,991</u>
Business-type activities capital assets, net	<u>\$12,617,445</u>	<u>\$ 3,562,485</u>	<u>\$ (344,014)</u>	<u>\$15,835,916</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 7,660
Public safety	44,904
Public works	475,170
Recreation and culture	<u>7,827</u>

Total depreciation expense – governmental activities **\$ 535,561**

Business-type activities:

Sewer	\$ 311,243
Water	<u>116,713</u>

Total depreciation expense – business-type activities **\$ 427,956**

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

Construction commitments

The Village has two active construction projects as of June 30, 2005: the Waste Water Treatment Plant expansion project in the sewer fund and the Elm Street project in the major street fund, which is construction including curb, gutter, sidewalk, storm sewer, watermain and sanitary sewer work along Elm Street. The water and sewer portion of the Elm Street project is completed as of June 30, 2005 with only street reconstruction remaining. The commitment for the Waste Water Treatment Plant is financed with sewer revenues and the proceeds from bonds issued in fiscal year 2004/2005. The total project cost is expected to be \$11,337,647 and at June 30, 2005 the Village had spent \$2,950,607. At June 30, 2005 the remaining project commitment is \$8,387,040. The commitment for the Elm Street project is financed with state funding. The total project cost is expected to be \$397,005 and at June 30, 2005 the Village had spent \$367,804. At June 30, 2005 the remaining project commitment is \$29,201.

D. PAYABLES

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Accounts	\$ 98,500	\$ 748,568
Wages, fringe benefits and other accrued liabilities	58,768	9,228
Deposits	-	1,681
Interest payable	<u>523</u>	<u>43,019</u>
Total	<u>\$ 157,791</u>	<u>\$ 802,496</u>

E. INTERFUND RECEIVABLES AND PAYABLES

	<u>Due from</u>		
	Non-major Governmental Funds	Internal Service Fund	
<u>Due to</u>			<u>Total</u>
General Fund	<u>\$ 16,125</u>	<u>\$ 61,993</u>	<u>\$ 78,118</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

F. LONG-TERM DEBT

Long-term debt of the Village is comprised of the following:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
GOVERNMENTAL ACTIVITIES					
Michigan Department of Transportation note payable, of \$504,000, dated October 30, 1998, with annual installments of \$96,144, including 4% interest through 2005	\$ 91,735	\$ -	\$ (91,735)	\$ -	\$ -
State Bank installment purchase of \$218,140, dated January 4, 2005, with annual installments of \$40,123, including interest at 3.5% through 2010	-	218,140	(32,488)	185,652	33,625
Employee compensated absences	<u>116,129</u>	<u>130,179</u>	<u>(126,680)</u>	<u>119,628</u>	<u>4,037</u>
	<u>\$ 207,864</u>	<u>\$ 348,319</u>	<u>\$ (250,903)</u>	<u>\$ 305,280</u>	<u>\$ 37,662</u>
BUSINESS-TYPE ACTIVITIES					
Water Supply Revenue Bonds, Act 94 dated 6/1/99, of \$1,435,000, which bear interest at 2.5%, principal due in annual installments of \$55,000 to \$90,000 through 2019, interest due semi- annually on October 1 and April 1	\$1,205,000	\$ -	\$ (60,000)	\$1,145,000	\$ 65,000
Water Revenue Bonds, Series 1991, of \$1,105,000 which bear interest at 5.113%, principal due in annual installments of \$45,000 to \$110,000 through 2014, interest due semi- annually on November 1 and May 1	850,000	-	(55,000)	795,000	55,000
Wastewater Treatment Plant Bonds, Series 2004, for \$6,500,000, which bear interest of 3.5-4.85%, principal due in annual installments of \$200,000 to \$500,000 through July 1, 2025 and interest due semi-annually on October 1 and April 1	-	6,500,000	-	6,500,000	-
Less: Deferred charges	-	(97,500)	4,432	(93,068)	-

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

BUSINESS-TYPE ACTIVITIES (continued)

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2005</u>	<u>Due Within One Year</u>
Capital lease payable of \$37,861, with interest of 4.75%, principal due in annual installments of \$8,290 through 2008	29,570	-	(6,886)	22,684	7,214
Employee compensated absences	<u>26,390</u>	<u>25,848</u>	<u>(21,520)</u>	<u>30,718</u>	<u>4,212</u>
	<u>\$2,110,960</u>	<u>\$6,428,348</u>	<u>\$ (138,974)</u>	<u>\$8,400,334</u>	<u>\$ 131,426</u>

Installment contract debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 33,625	\$ 6,498
2007	34,802	5,321
2008	36,980	3,143
2009	40,123	-
2010	<u>40,122</u>	<u>-</u>
	<u>\$ 185,652</u>	<u>\$ 14,962</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 120,000	\$ 348,588
2007	125,000	343,931
2008	330,000	335,770
2009	340,000	323,716
2010	395,000	310,183
2011-15	2,250,000	1,282,787
2016-20	2,230,000	848,776
2021-25	2,150,000	387,663
2026	<u>500,000</u>	<u>12,125</u>
	<u>\$8,440,000</u>	<u>\$4,193,539</u>

There are a number of limitations and restrictions contained in the bond indenture. The Village is in compliance with all significant limitations and restrictions.

VILLAGE OF HOLLY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS

Minimum capital lease payments for each of the years succeeding June 30, 2005 for the purchase of a tractor used jointly by the water and sewer funds are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 7,214	\$ 1,077
2007	7,556	735
2008	<u>7,914</u>	<u>376</u>
	<u>\$ 22,684</u>	<u>\$ 2,188</u>

The tractor acquired through capital lease of \$37,861 had a value of \$28,396 at June 30, 2005.

In the governmental activities, compensated absences are generally liquidated by the general fund.

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN

Pension Plan

Plan Description:

The Village of Holly, Michigan, contributes to the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit public employee retirement plan administered by the MERS Retirement Board. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. A copy of that report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, MI 48917 or by calling (800) 767-6377.

Funding Policy:

The Village is required to contribute at an actuarially determined rate; the current rate ranges between 14.39% and 15.58% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Village are

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

established, and may be amended, by the MERS Retirement Board. The contribution requirements of employees are established, and may be amended, by the Village depending on the MERS contribution program adopted by the Village.

Annual Pension Cost:

For the year ended June 30, 2005, the Village's annual pension cost of \$287,850 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return of the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0% to 8.40% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 209,627	100%	\$ -
6/30/04	257,161	100%	-
6/30/05	287,850	100%	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/02	\$5,037,558	\$ 6,334,067	\$1,296,509	80%	\$1,456,752	89%
12/31/03	5,541,462	7,427,243	1,885,781	75%	1,539,217	123%
12/31/04	6,019,341	8,277,906	2,258,565	73%	1,606,521	141%

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

B. POSTEMPLOYMENT HEALTH BENEFITS

The Village also provides postemployment health care benefits, as per the requirements of certain agreements and union contracts for certain retirees and dependents. The Village currently has 1 retiree participating in the plan. The Village includes pre-Medicare retirees and their dependents in its insured health care plan, with a 50% contribution required from retirees. Upon reaching Medicare eligibility age the Village's obligation to pay toward healthcare terminates. The Village maintains a Retiree Healthcare Fund to accumulate, invest and purchase insurance premiums for retirees. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due. During the current fiscal year, expenditures amounted to approximately \$14,457 with Village and employee contributions totaling \$69,714 and \$6,868, respectively. Benefits under the Plan are administered under a third party agreement with Blue Cross Blue Shield of Michigan. The Village Council has the authority to establish and amend benefit provisions.

C. CONTINGENT LIABILITIES

The Village is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of legal counsel, no legal proceedings are pending against the Village which are not covered by insurance or which would inhibit the Village's ability to perform its operations or materially affect its financial condition.

D. RESTATEMENTS

For the Village's sewer fund, an adjustment was made to record prior year construction in progress for the Waste Water Treatment expansion project and to adjust prior year accumulated depreciation, which was improperly taken on land, for which the net effect caused the Village's assets to be understated and their expenses to be overstated. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 11,010,469
Adjustment for construction in progress	438,084
Adjustment for accumulated depreciation on land	<u>50,000</u>
Beginning net assets, as restated	<u>\$ 11,498,553</u>

VILLAGE OF HOLLY, MICHIGAN

NOTES TO THE FINANCIAL STATEMENTS

For the Governmental Activities on the Statement of Net Assets for the year ended June 30, 2005, errors were made in accounting for capital assets. In addition, there has been a reclassification of the Cemetery Endowment Fund from a Private Purpose Trust Fund to a Special Revenue Fund. These errors have been corrected and reclassifications have been made and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 3,026,532
Reclassification of fund balance	242,885
Adjustment for capital assets	<u>344,174</u>
Beginning net assets, as restated	<u>\$ 3,613,591</u>

E. SUBSEQUENT EVENTS

On March 22, 2005, the Village approved the Notice of Intent Resolution for improvements to the water supply system. It is anticipated that bonds in the amount of approximately \$6,000,000 will be issued in fiscal year 2005/06 for this project.

On June 28, 2005, the Village received approval from the Michigan Department of Transportation of a grant in the amount of \$375,000 for reconstruction to be started on Oakland Street in the spring of 2006.

* * * * *

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Major Street, Local Street and Municipal Street Funds

These funds are used to account for major and local streets maintenance funds received from the State of Michigan and from special assessment levies for sidewalks.

Parks and Recreation Fund

This fund is used to account for the revenues received for the use of Village park facilities.

Cemetery Fund

This fund is used to account for revenues received from the operations of the Village's Cemetery, including grave sales and burials.

Lake Improvement Fund

This fund is used to account for special assessment revenues received for purposes of improving the Holly Mill Pond.

Solid Waste Fund

This fund is used to account for revenues received for garbage collection fees.

Building Department Fund

This fund is used to account for revenues received for inspections services provided by the Village.

Community Development Block Grant Fund (CDBG)

This fund is used to account for revenues received from the U.S. Department of Housing and Urban Development relative to the CDBG program.

Holly Area Transportation Fund

This fund is used to account for revenues received for transportation services fees.

Cemetery Endowment Trust Fund

This fund is used to account for proceeds from grave sales set-aside by the Village to make capital purchases for the cemetery.

**VILLAGE OF HOLLY, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2005**

SPECIAL REVENUE FUNDS

	Major Street	Local Street	Municipal Street	Parks and Recreation	Cemetery	Lake Improvement	Solid Waste	Building Department	CDBG	Holly Area Transportation	Cemetery Endowment	Total
ASSETS												
Cash and cash equivalents	\$ 96,534	\$ 39,499	\$ 61,508	\$ 13,051	\$ 8,943	\$ 24	\$ 12,996	\$ 6,371	\$ 1,020	\$ 1,465	\$ 43,550	\$ 284,961
Investments	370,941	151,781	236,353	48,230	5,665	92	49,937	24,479	3,918	5,629	198,085	1,095,110
Interest receivable	699	307	413	96	395	-	99	-	-	-	-	2,009
Taxes receivable	-	-	-	446	446	-	1,637	-	-	-	-	2,529
Special assessments receivable	-	-	29,601	-	-	5,647	-	-	-	-	-	35,248
Due from other governments	8,607	8,607	-	-	-	-	-	-	-	5,817	-	23,031
TOTAL ASSETS	\$ 476,781	\$ 200,194	\$ 327,875	\$ 61,823	\$ 15,449	\$ 5,763	\$ 64,669	\$ 30,850	\$ 4,938	\$ 12,911	\$ 241,635	\$ 1,442,888
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ 236	\$ 1,361	\$ -	\$ 1,502	\$ 7,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,086
Accrued liabilities	-	-	-	-	-	-	-	-	-	1,111	-	1,111
Due to other funds	-	-	-	-	-	4,325	-	-	-	11,800	-	16,125
Deferred revenue	-	-	19,499	446	446	-	1,637	-	-	-	-	22,028
TOTAL LIABILITIES	236	1,361	19,499	1,948	8,433	4,325	1,637	-	-	12,911	-	50,350
FUND BALANCES												
Unreserved, undesignated	476,545	198,833	308,376	59,875	7,016	1,438	63,032	30,850	4,938	-	241,635	1,392,538
TOTAL LIABILITIES AND FUND BALANCES	\$ 476,781	\$ 200,194	\$ 327,875	\$ 61,823	\$ 15,449	\$ 5,763	\$ 64,669	\$ 30,850	\$ 4,938	\$ 12,911	\$ 241,635	\$ 1,442,888

**VILLAGE OF HOLLY, MICHIGAN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

SPECIAL REVENUE FUNDS												
	Major Street	Local Street	Municipal Street	Parks and Recreation	Cemetery	Lake Improvement	Solid Waste	Building Department	CDBG	Holly Area Transportation	Cemetery Endowment	Total
REVENUES												
Taxes	\$ -	\$ -	\$ -	\$ 60,366	\$ 60,366	\$ -	\$ 209,247	\$ -	\$ -	\$ -	\$ -	\$ 329,979
Special assessment	-	-	11,967	-	-	5,778	-	-	-	-	-	17,745
Intergovernmental:												
Federal	-	-	-	-	-	-	-	-	14,285	-	-	14,285
State	256,117	98,243	-	-	-	-	-	-	-	-	-	354,360
Charges for services	-	-	-	7,440	43,970	-	1,299	78,717	-	42,193	-	173,619
Interest	8,026	3,805	4,662	1,267	5,627	-	2,781	725	-	-	-	26,893
Other revenue	8,607	8,607	-	-	-	-	-	-	-	-	6,750	23,964
TOTAL REVENUES	272,750	110,655	16,629	69,073	109,963	5,778	213,327	79,442	14,285	42,193	6,750	940,845
EXPENDITURES												
Current:												
Public works	194,729	128,254	-	-	-	-	-	-	-	-	-	322,983
Recreation and culture	-	-	-	46,366	-	7,751	-	-	-	-	-	54,117
Community service	-	-	-	-	-	-	-	-	14,987	45,572	-	60,559
Cemetery	-	-	-	-	109,183	-	-	-	-	-	8,000	117,183
Sanitation	-	-	-	-	-	-	189,586	-	-	-	-	189,586
Inspections	-	-	-	-	-	-	-	70,873	-	-	-	70,873
Debt service	95,404	-	-	-	-	-	-	-	-	-	-	95,404
Capital outlay	-	-	6,569	6,366	14,153	-	-	-	-	-	-	27,088
TOTAL EXPENDITURES	290,133	128,254	6,569	52,732	123,336	7,751	189,586	70,873	14,987	45,572	8,000	937,793
NET CHANGE IN FUND BALANCE	(17,383)	(17,599)	10,060	16,341	(13,373)	(1,973)	23,741	8,569	(702)	(3,379)	(1,250)	3,052
FUND BALANCES, BEGINNING OF YEAR	493,928	216,432	298,316	43,534	20,389	3,411	39,291	22,281	5,640	3,379	242,885	1,389,486
FUND BALANCES, END OF YEAR	\$ 476,545	\$ 198,833	\$ 308,376	\$ 59,875	\$ 7,016	\$ 1,438	\$ 63,032	\$ 30,850	\$ 4,938	\$ -	\$ 241,635	\$ 1,392,538

**VILLAGE OF HOLLY, MICHIGAN
MAJOR STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
State shared revenue	\$ 226,262	\$ 226,262	\$ 256,117	\$ 29,855
Interest and rents	6,000	6,000	8,026	2,026
Other revenue	-	-	8,607	8,607
TOTAL REVENUES	232,262	232,262	272,750	40,488
EXPENDITURES				
PUBLIC WORKS				
Highways and streets:				
Maintenance	114,761	114,761	98,667	16,094
Winter maintenance	46,812	46,812	41,162	5,650
Trees	13,638	13,638	8,987	4,651
Traffic services and other	47,239	47,239	45,913	1,326
TOTAL PUBLIC WORKS	222,450	222,450	194,729	27,721
Debt service	91,735	95,405	95,404	1
TOTAL EXPENDITURES	314,185	317,855	290,133	27,722
REVENUES OVER (UNDER) EXPENDITURES	(81,923)	(85,593)	(17,383)	68,210
OTHER FINANCING SOURCES				
Transfers in	118,972	118,972	-	(118,972)
NET CHANGE IN FUND BALANCE	37,049	33,379	(17,383)	(50,762)
FUND BALANCE, BEGINNING OF YEAR	493,928	493,928	493,928	-
FUND BALANCE, END OF YEAR	\$ 530,977	\$ 527,307	\$ 476,545	\$ (50,762)

**VILLAGE OF HOLLY, MICHIGAN
LOCAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
State shared revenue	\$ 84,214	\$ 84,214	\$ 98,243	\$ 14,029
Interest and rents	2,400	2,400	3,805	1,405
Other revenue	-	-	8,607	8,607
TOTAL REVENUES	86,614	86,614	110,655	24,041
EXPENDITURES				
PUBLIC WORKS				
Highways and streets:				
Maintenance	96,794	96,794	61,476	35,318
Winter maintenance	35,132	35,132	38,397	(3,265)
Trees	14,426	14,426	10,648	3,778
Traffic services and other	25,530	25,530	17,733	7,797
TOTAL EXPENDITURES	171,882	171,882	128,254	43,628
NET CHANGE IN FUND BALANCE	(85,268)	(85,268)	(17,599)	67,669
FUND BALANCE, BEGINNING OF YEAR	216,432	216,432	216,432	-
FUND BALANCE, END OF YEAR	\$ 131,164	\$ 131,164	\$ 198,833	\$ 67,669

**VILLAGE OF HOLLY, MICHIGAN
MUNICIPAL STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Special assessments	\$ 31,089	\$ 31,089	\$ 11,967	\$ (19,122)
Interest and rents	3,000	3,000	4,662	1,662
TOTAL REVENUES	34,089	34,089	16,629	(17,460)
EXPENDITURES				
Capital outlay	6,000	6,000	6,569	(569)
NET CHANGE IN FUND BALANCE	28,089	28,089	10,060	(18,029)
FUND BALANCE, BEGINNING OF YEAR	298,316	298,316	298,316	-
FUND BALANCE, END OF YEAR	<u>\$ 326,405</u>	<u>\$ 326,405</u>	<u>\$ 308,376</u>	<u>\$ (18,029)</u>

**VILLAGE OF HOLLY, MICHIGAN
PARKS AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 60,219	\$ 60,219	\$ 60,366	\$ 147
Charges for services	7,700	7,700	7,440	(260)
Interest and rents	500	500	1,267	767
TOTAL REVENUES	68,419	68,419	69,073	654
EXPENDITURES				
Recreation and culture	65,169	65,169	46,366	18,803
Capital outlay	3,250	3,250	6,366	(3,116)
TOTAL EXPENDITURES	68,419	68,419	52,732	15,687
NET CHANGE IN FUND BALANCE	-	-	16,341	16,341
FUND BALANCE, BEGINNING OF YEAR	43,534	43,534	43,534	-
FUND BALANCE, END OF YEAR	\$ 43,534	\$ 43,534	\$ 59,875	\$ 16,341

**VILLAGE OF HOLLY, MICHIGAN
CEMETERY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 60,219	\$ 60,219	\$ 60,366	\$ 147
Charges for services	47,068	47,068	43,970	(3,098)
Interest and rents	3,000	3,000	5,627	2,627
TOTAL REVENUES	110,287	110,287	109,963	(324)
EXPENDITURES				
Cemetery	120,075	127,075	109,183	17,892
Capital outlay	3,575	3,575	14,153	(10,578)
TOTAL EXPENDITURES	123,650	130,650	123,336	7,314
NET CHANGE IN FUND BALANCE	(13,363)	(20,363)	(13,373)	6,990
FUND BALANCE, BEGINNING OF YEAR	20,389	20,389	20,389	-
FUND BALANCE, END OF YEAR	\$ 7,026	\$ 26	\$ 7,016	\$ 6,990

**VILLAGE OF HOLLY, MICHIGAN
LAKE IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Special assessments	\$ 4,820	\$ 4,820	\$ 5,778	\$ 958
EXPENDITURES				
Recreation and culture	4,820	4,820	7,751	(2,931)
NET CHANGE IN FUND BALANCE	-	-	(1,973)	(1,973)
FUND BALANCE, BEGINNING OF YEAR	3,411	3,411	3,411	-
FUND BALANCE, END OF YEAR	<u>\$ 3,411</u>	<u>\$ 3,411</u>	<u>\$ 1,438</u>	<u>\$ (1,973)</u>

**VILLAGE OF HOLLY, MICHIGAN
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 208,290	\$ 208,290	\$ 209,247	\$ 957
Charges for services	1,110	1,110	1,299	189
Interest and rents	1,000	1,000	2,781	1,781
TOTAL REVENUES	210,400	210,400	213,327	2,927
EXPENDITURES				
Sanitation	210,400	210,400	189,586	20,814
NET CHANGE IN FUND BALANCE	-	-	23,741	23,741
FUND BALANCE, BEGINNING OF YEAR	39,291	39,291	39,291	-
FUND BALANCE, END OF YEAR	\$ 39,291	\$ 39,291	\$ 63,032	\$ 23,741

**VILLAGE OF HOLLY, MICHIGAN
BUILDING DEPARTMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 73,713	\$ 73,713	\$ 78,717	\$ 5,004
Interest and rents	-	-	725	725
TOTAL REVENUES	73,713	73,713	79,442	5,729
EXPENDITURES				
Inspections	73,713	73,713	70,873	2,840
NET CHANGE IN FUND BALANCE	-	-	8,569	8,569
FUND BALANCE, BEGINNING OF YEAR	22,281	22,281	22,281	-
FUND BALANCE, END OF YEAR	\$ 22,281	\$ 22,281	\$ 30,850	\$ 8,569

**VILLAGE OF HOLLY, MICHIGAN
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Intergovernmental:				
Federal	\$ 27,793	\$ 27,793	\$ 14,285	\$ (13,508)
EXPENDITURES				
Community service	27,793	27,793	14,987	12,806
NET CHANGE IN FUND BALANCE	-	-	(702)	(702)
FUND BALANCE, BEGINNING OF YEAR	5,640	5,640	5,640	-
FUND BALANCE, END OF YEAR	\$ 5,640	\$ 5,640	\$ 4,938	\$ (702)

**VILLAGE OF HOLLY, MICHIGAN
HOLLY AREA TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 45,095	\$ 45,095	\$ 42,193	\$ (2,902)
EXPENDITURES				
Community service	45,095	45,095	45,572	(477)
NET CHANGE IN FUND BALANCE	-	-	(3,379)	(3,379)
FUND BALANCE, BEGINNING OF YEAR	3,379	3,379	3,379	-
FUND BALANCE, END OF YEAR	<u>\$ 3,379</u>	<u>\$ 3,379</u>	<u>\$ -</u>	<u>\$ (3,379)</u>

**VILLAGE OF HOLLY, MICHIGAN
CEMETERY ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Other revenue	\$ -	\$ -	\$ 6,750	\$ 6,750
EXPENDITURES				
Contingency	-	-	8,000	(8,000)
NET CHANGE IN FUND BALANCE	-	-	(1,250)	(1,250)
FUND BALANCE, BEGINNING OF YEAR	242,885	242,885	242,885	-
FUND BALANCE, END OF YEAR	<u>\$ 242,885</u>	<u>\$ 242,885</u>	<u>\$ 241,635</u>	<u>\$ (1,250)</u>

FIDUCIARY FUNDS

Fiduciary Funds are funds set up to account for assets held by the Village, in a fiduciary capacity, for individuals, organizations, or other units of government.

Agency Fund - This fund is used to account for the assets held by the Village in a trustee capacity for other individuals, governmental entities, and non-public organizations, to be distributed at a later time.

VILLAGE OF HOLLY, MICHIGAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
ASSETS				
Cash and cash equivalents	\$ 13,045	\$ 2,081,415	\$ 2,074,671	\$ 19,789
Investments	28,043	33,759	-	61,802
TOTAL ASSETS				
	\$ 41,088	\$ 2,115,174	\$ 2,074,671	\$ 81,591
LIABILITIES				
Deposits payable	\$ 41,088	\$ 2,235,832	\$ 2,195,329	\$ 81,591

Downtown Development Authority
Component Unit Financial Statements

VILLAGE OF HOLLY, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2005

	Downtown Development Authority	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 47,921	\$ -	\$ 47,921
Investments	158,203	-	158,203
Accounts receivables	310	-	310
Taxes receivable	330	-	330
TOTAL ASSETS	<u>\$ 206,764</u>	<u>\$ -</u>	<u>206,764</u>
LIABILITIES			
Accrued liabilities	\$ 1,602	\$ -	1,602
Deferred revenue	330	(330)	-
Total liabilities	1,932	(330)	1,602
FUND BALANCES			
Unreserved - undesignated	204,832	(204,832)	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 206,764</u>		
NET ASSETS			
Unrestricted		<u>\$ 205,162</u>	<u>\$ 205,162</u>

**VILLAGE OF HOLLY, MICHIGAN
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Downtown Development Authority	Adjustments	Statement of Activities
REVENUES			
Taxes	\$ 177,244	\$ (824)	\$ 176,420
Charges for services	2,230	-	2,230
Interest	3,309	-	3,309
TOTAL REVENUES	182,783	(824)	181,959
EXPENDITURES			
Economic development	111,286	-	111,286
CHANGE IN FUND BALANCE / NET ASSETS	71,497	(824)	70,673
FUND BALANCE / NET ASSETS, BEGINNING OF YEAR	133,335	1,154	134,489
FUND BALANCE / NET ASSETS, END OF YEAR	\$ 204,832	\$ 330	\$ 205,162

Economic Development Corporation
Component Unit Financial Statements

VILLAGE OF HOLLY, MICHIGAN
ECONOMIC DEVELOPMENT CORPORATION COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2005

	Economic Development Corporation	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 4,518	\$ -	\$ 4,518
Investments	17,362	-	17,362
Accounts receivables	30	-	30
TOTAL ASSETS	\$ 21,910	\$ -	21,910
FUND BALANCES	\$ 21,910	(21,910)	-
NET ASSETS			
Unrestricted		\$ 21,910	\$ 21,910

**VILLAGE OF HOLLY, MICHIGAN
ECONOMIC DEVELOPMENT CORPORATION COMPONENT UNIT
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2005**

	Economic Development Corporation	Adjustments	Statement of Activities
REVENUES			
Interest	\$ 342	\$ -	\$ 342
FUND BALANCE / NET ASSETS, BEGINNING OF YEAR	21,568	-	21,568
FUND BALANCE / NET ASSETS, END OF YEAR	<u>\$ 21,910</u>	<u>\$ -</u>	<u>\$ 21,910</u>

STATISTICAL SECTION

Statistical tables differ from the financial statements because they usually cover more than one year and may present non-accounting data. These tables reflect social and economic data, financial trends and the fiscal capability of the Village of Holly.

VILLAGE OF HOLLY, MICHIGAN

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION - UNAUDITED LAST TEN FISCAL YEARS

Fiscal Year Ended	General Government	Public Safety	Public Works	Recreation and Culture	Community Service	Cemetery	Sanitation	Debt Service	Capital	Total
1996	\$ 448,126	\$ 977,317	\$ 764,564	\$ 52,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,242,624
1997	438,783	1,127,930	840,728	32,312	-	-	-	-	-	2,439,753
1998	539,242	1,012,312	633,967	40,501	222,524	102,663	154,979	-	116,711	2,822,899
1999	651,511	1,116,233	754,813	30,856	123,342	94,690	158,294	-	53,034	2,982,773
2000	542,233	1,228,864	1,441,505	77,932	122,378	99,995	164,723	96,144	67,400	3,841,174
2001	564,095	1,240,239	1,290,306	43,503	164,482	106,450	194,005	96,144	161,198	3,860,422
2002	626,003	1,329,187	1,138,063	62,267	240,579	118,272	193,149	96,144	395,880	4,199,544
2003	720,778	1,453,411	835,000	54,632	269,330	116,712	199,928	96,144	129,154	3,875,089
2004	712,969	1,663,485	950,121	62,676	249,309	103,724	202,954	96,144	405,925	4,447,307
2005	721,165	1,550,497	923,188	54,117	177,584	117,183	189,586	135,527	621,385	4,490,232

Includes General and Special Revenue Funds.

VILLAGE OF HOLLY, MICHIGAN

GENERAL GOVERNMENT REVENUES BY SOURCE -

UNAUDITED

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeits	Other	Total
1995	\$ 1,002,068	\$ 63,070	\$ 790,150	\$ 326,230	\$ 18,637	\$ 111,987	\$ 2,312,142
1996	1,020,784	66,277	838,313	89,454	15,914	128,100	2,158,842
1997	1,111,514	125,186	872,639	119,666	18,209	126,632	2,373,846
1998	1,194,618	188,859	937,223	459,258	12,803	191,170	2,983,931
1999	1,465,028	97,871	977,567	484,152	15,063	191,376	3,231,057
2000	1,641,971	105,912	1,078,555	521,268	18,439	206,332	3,572,477
2001	1,723,302	99,696	1,155,086	571,016	18,225	202,109	3,769,434
2002	1,785,323	104,565	1,179,117	701,759	25,357	184,074	3,980,195
2003	1,858,088	141,663	1,231,887	723,953	28,856	100,741	4,085,188
2004	1,838,839	71,506	1,476,873	872,857	36,215	80,045	4,376,335
2005	1,912,392	65,979	1,119,377	922,297	40,142	116,224	4,176,411

Includes General and Special Revenue Funds.

VILLAGE OF HOLLY

PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED

LAST TEN FISCAL YEARS

FISCAL YEAR	TOTAL TAX LEVY	CURRENT TAX COLLECTION	PERCENT OF LEVY COLLECTED	DELINQUENT TAX COLLECTIONS	TOTAL TAX COLLECTIONS	Percent of Total Tax Collected To Tax Levy (1)	Outstanding Delinquent Taxes	Percent Of Delinquent Taxes To Tax Levy
1996	\$ 1,010,624	\$ 904,776	89.5%	\$ 105,848	\$ 1,006,273	99.6%	\$ 4,351	\$ 0
1997	1,077,539	968,731	89.9%	108,808	1,071,421	99.4%	6,118	0.6%
1998	1,149,737	1,050,336	91.4%	93,049	1,143,687	99.5%	6,049	0.5%
1999	1,419,837	1,277,431	90.0%	142,406	1,414,476	99.6%	6,445	0.5%
2000	1,612,024	1,478,610	91.7%	134,479	1,605,578	99.6%	5,361	0.3%
2001	1,658,922	1,528,787	92.2%	121,107	1,652,477	99.6%	9,170	0.6%
2002	1,852,744	1,719,556	92.8%	133,188	1,842,035	99.4%	10,709	0.6%
2003	1,883,865	1,750,644	92.9%	133,221	1,874,188	99.5%	9,677	0.5%
2004	1,917,551	1,813,379	94.5%	107,785	1,912,321	99.7%	5,230	0.2%
2005	2,000,407	1,884,961	94.2%	112,129	1,997,090	99.7%	6,780	0.3%

NOTE: (1) Real property taxes which become delinquent are paid in full by the Oakland County Delinquent Tax Revolving Fund. As a result, percent of collections for real property taxes is 100 percent.

VILLAGE OF HOLLY

ASSESSED AND TAXABLE VALUE OF TAXABLE PROPERTY - UNAUDITED LAST TEN FISCAL YEARS

	Real Property		Personal Property		Total	
FISCAL YEAR	Assessed Value (1)	Taxable Value (2)	Assessed Value	Taxable Value	Assessed Value	Taxable Value
1996	\$ 59,762,660	\$ 59,762,660	\$ 5,452,600	\$ 5,452,600	\$ 65,215,260	\$ 65,215,260
1997	66,620,950	63,500,557	6,129,330	6,123,680	72,750,280	69,624,237
1998	76,193,050	67,186,310	6,033,650	6,033,650	82,226,700	73,219,960
1999	85,993,600	75,941,360	6,151,620	6,151,620	92,145,220	82,092,980
2000	99,809,700	87,354,430	7,161,430	7,161,430	106,971,130	94,515,860
2001	118,917,950	93,409,200	6,555,310	6,555,310	125,473,260	99,964,510
2002	123,424,850	99,775,550	6,731,750	6,731,750	130,156,600	106,507,300
2003	129,201,300	105,951,490	7,307,380	7,307,380	136,508,680	113,258,870
2004	134,733,900	111,063,460	6,496,030	6,496,030	141,229,930	117,531,490
2005	151,693,050	121,648,843	6,752,300	6,752,300	158,445,350	128,401,143

NOTE: (1) Assessed value represents 50% of market value.

VILLAGE OF HOLLY

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$1000 OF TAXABLE VALUATIONS) - UNAUDITED

LAST TEN FISCAL YEARS

		1995-96		1996-97		1997-98		1998-99		1999-2000		2000-01		2001-02		2002-03		2003-04		2004-05	
		Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd	Hmstd	NonHmstd
Village of Holly	Operating	15.5000	15.5000	15.5000	15.5000	15.7025	15.7025	17.2282	17.2282	16.6649	16.6649	16.5166	16.5166	16.2183	16.2183	15.8458	15.8458	15.4350	15.4350	15.3653	15.3653
DDA - District	DDA Operating							0.0000	2.0000		2.0000										
Holly Area Schools	Operating		18.0000		18.0000	-	17.8580	-	17.8274		18.0000		18.0000		18.0000		18.0000		18.0000		18.0000
	Debt	4.7500	4.7500	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000
Oakland County	Operating	4.4505	4.4505	4.8480	4.8480	4.3505	4.3505	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.19	4.1900	4.19	4.19	4.19	4.19	4.19
	Parks & Rec	0.2439	0.2439	-	-	0.2439	0.2439	0.2429	0.2429	0.2404	0.2404	0.2376	0.2376	0.2352	0.2352	0.2453	0.2453	0.2436	0.2436	0.2436	0.2436
	H.C.M.A.	0.2236	0.2236	-	-	0.2236	0.2236	0.2235	0.2235	0.2218	0.2218	0.2202	0.2202	0.2186	0.2186	0.217	0.217	0.2161	0.2161	0.2161	0.2161
Holly Township	Operating	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
	Library	0.9555	0.9555	0.9477	0.9477	1.0000	1.0000	0.9836	0.9836	0.9576	0.9576	0.9368	0.9368	0.9114	0.9114	0.9834	0.9834	0.9834	0.9834	0.9739	0.9739
	Parks	0.4779	0.4779	0.4739	0.4739	0.5000	0.5000	0.4918	0.4918	0.4788	0.4788	0.4684	0.4684	0.4557	0.4557	0.4917	0.4917	0.4917	0.4917	0.4869	0.4869
	Fire/Emg											1.5000	1.5000	1.5000	1.5000	1.6500	1.6500	1.6500	1.6500	1.6500	1.6500
State Education	SET	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	5.0000	6.0000	6.0000	6.0000	6.0000
Oakland Inter School		2.1294	2.1294	2.1294	2.1294	2.1294	2.1294	2.1208	2.1208	2.0998	2.0998	2.0752	2.0752	3.4526	3.4526	3.3991	3.3991	3.3991	3.3991	3.369	3.369
Oakland Community College		1.6522	1.6522	1.6522	1.6522	1.6522	1.6522	1.6456	1.6456	1.6295	1.6295	1.6109	1.6109	1.5952	1.5952	1.5983	1.5983	1.5983	1.5983	1.5844	1.5844
TOTALS		37.3830	55.3830	39.5512	57.5512	39.8021	57.6601	41.1264	60.9538	40.4828	60.4828	41.7557	59.7557	42.7770	60.7770	41.6206	59.6206	60.2072	60.2072	60.0792	60.0792

VILLAGE OF HOLLY

SPECIAL ASSESSMENTS BILLINGS AND COLLECTIONS-UNAUDITED

LAST TEN FISCAL YEARS

Tax Roll Year	Current Assessments Billed (1)	Current Assessments Collected	Ratio Of Collections To Amount Due	Total Outstanding Assessments (2)
1995	\$ 46,665	\$ 46,665	100.0%	\$ 184,696
1996	20,308	20,308	100.0%	145,475
1997	22,763	22,763	100.0%	127,490
1998	18,131	18,131	100.0%	103,085
1999	29,979	45,416	151.5%	102,602
2000	34,650	32,471	93.7%	125,209
2001	34,485	41,773	121.1%	137,134
2002	44,683	46,394	103.8%	103,433
2003	47,034	58,958	125.4%	94,339
2004	40,083	55,588	138.7%	41,653
2005	33,440	17,745	53.0%	35,248

NOTE: (1) Paving special assessments are due annually by May 1st and are placed on taxes if not paid prior to this date. Delinquent special assessments are levied as part of the taxpayer's annual property tax billing. Billings which become delinquent (I.e., real property taxes including special assessments) are paid in full by the Oakland County Delinquent Tax Revolving Fund. As a result, after a two year period, all special assessment levies are 100% collected.

NOTE: (2) Includes current and deferred portions.

VILLAGE OF HOLLY, MICHIGAN
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005

Assessed valuation, December 31, 2005	\$135,003,280
Debt limit - 10% of assessed valuation	13,500,328
<u>Amount of debt applicable to limit:</u>	
Total general obligation debt	<u>-0-</u>
LEGAL DEBT MARGIN	<u>\$ 13,500,328</u>

VILLAGE OF HOLLY, MICHIGAN
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION BONDS
JUNE 30, 2005

Name of Governmental Unit		Net General Bonded Debt Outstanding	Percentage Applicable to Village	Amount Applicable to Village
Holly Area Schools	(1)	\$65,785,000	16.00%	\$10,525,600
Oakland County	(1)	\$97,029,063	.23%	\$ 223,167
Oakland Community College	(1)	\$11,175,000	.23%	\$ 25,703
Oakland Intermediate School District	(1)	\$10,220,000	.23%	\$ <u>23,506</u>
TOTAL DIRECT AND OVERLAPPING DEBT				<u>\$10,797,975</u>

(1) Obtained from the Municipal Advisory Council of Michigan

VILLAGE OF HOLLY, MICHIGAN

REVENUE BOND COVERAGE - UNAUDITED

LAST TEN FISCAL YEARS

Fiscal Year Ended	Operating Revenues	Operating Expenses(1)	Net Revenue Available For Debt Service	<u>Annual Debt Service Payments</u>			Times Coverage Ratio
				Principal	Interest	Total	
<u>Wastewater Treatment Plant Revenue Bonds</u>							
2005(2)	\$1,442,452	\$769,344	\$673,108	\$ -	\$35,057	\$35,057	19.2x
<u>Water System Revenue Bonds</u>							
1996	\$ 375,486	\$194,792	\$180,694	\$30,000	\$77,864	\$107,864	1.68x
1997	457,899	226,538	191,361	30,000	76,214	106,214	1.80x
1998	423,113	268,002	155,111	30,000	71,978	101,978	1.52x
1999	472,747	312,598	160,149	35,000	75,502	110,502	1.45x
2000	554,748	394,896	159,852	40,000	78,682	118,682	1.35x
2001(3)	502,142	382,316	119,826	95,000	110,983	205,983	.58x
2002	556,667	427,665	129,002	100,000	93,590	193,590	.67x
2003	693,076	428,654	264,422	105,000	92,839	197,839	1.34x
2004	1,191,290	445,989	745,301	110,000	92,200	202,200	3.69x
2005	807,210	586,983	220,227	115,000	71,053	186,053	1.18x

(1) Net of depreciation.

(2) First year for payments on bonds dated 9/1/04.

(3) First year for payments on bonds dated 6/1/99.

VILLAGE OF HOLLY, MICHIGAN
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Estimated Population(1)	Per Capita Income(2)	County Unemployment Rate(2)	School Enrollment(3)
1996	5,595	16,450	3.7%	4,135
1997	5,595	16,450	3.3%	4,210
1998	5,595	16,450	2.8%	4,318
1999	5,595	16,450	2.6%	4,362
2000	5,595	41,512(4)	2.2%	4,249
2001	6,135	41,512	3.8%	4,239
2002	6,135	41,512	5.4%	4,251
2003	6,135	46,282	4.7%	4,319
2004	6,179	49,896	5.3%	4,317
2005	6,179	67,352(5)	6.2%	4,332

(1) Estimated based on 1990 and 2000 U.S. Census figures.

(2) Obtained from Oakland County Planning Department.

(3) Obtained from Holly Area Schools.

(4) Information obtained from Oakland County Planning Department in August 2000 is now being reported as median income instead of per capita income with future reporting being done as median income.

(5) Information from Oakland County Planning Department in August 2005, this is now being reported county wide median income and not on individual community basis.

VILLAGE OF HOLLY

CONSTRUCTION VALUE FOR NEW CONSTRUCTION FOR RESIDENTIAL AND COMMERCIAL BUILDINGS AND BANK DEPOSITS LAST TEN FISCAL YEARS

<u>Date</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits</u>
	<u>Number Of Units</u>	<u>Value</u>	<u>Number Of Units</u>	<u>Value</u>	
1996	4	\$ 710,716	33	\$ 1,260,461	\$ 23,536,268
1997	2	2,871,395	21	495,630	25,089,751
1998	5	1,503,612	187	16,758,023	26,014,346
1999	2	590,824	21	1,919,272	26,196,346
2000	2	149,000	23	2,261,596	26,429,640
2001	0	-	23	2,672,000	26,741,830
2002	1	400,000	9	940,000	26,895,043
2003	0	-	56	5,117,000	27,028,460
2004	1	478,000	42	3,332,000	27,539,810
2005	1	500,000	32	2,463,800	27,955,721

**VILLAGE OF HOLLY
PRINCIPAL TAXPAYERS - UNAUDITED**

JUNE 2005

	Taxpayers	Taxable Valuation	Percentage of Total Taxable Valuation	Total Taxes Paid to Village
1	Presbyterian Village	\$ 2,642,090	2.0%	\$ 40,596
2	Holly Enterprises Inc.	2,281,900	1.7%	\$ 35,062
3	Sun Communties	2,125,490	1.6%	\$ 32,658
4	Phylle Holly, LLC	1,747,170	1.3%	\$ 14,880
5	Consumers Energy	1,736,800	1.3%	\$ 26,686
6	Holly Manor Apartments, LLC	1,460,080	1.1%	\$ 22,435
7	Delta Tube	1,229,090	0.9%	\$ 18,885
8	R & J Holly LLC	756,880	0.6%	\$ 11,630
9	Whispering Oaks Associates	637,870	0.5%	\$ 9,801
10	ADI Realty Inc.	<u>575,730</u>	0.4%	<u>\$ 8,846</u>
		<u><u>\$ 15,193,100</u></u>	<u><u>11.3%</u></u>	<u><u>\$ 221,480</u></u>

*Phyle Holly, LLC has been given a twelve year tax abatement

VILLAGE OF HOLLY, MICHIGAN
MISCELLANEOUS STATISTICAL DATA
June 30, 2005

Date Incorporated	1865														
Form of Government	Council/Manager														
Date Present Charter Adopted	1982														
Area - Square Miles	2.5 square miles														
Population:															
	<table> <tr> <th><u>U.S. Census Date</u></th><th><u>Population</u></th></tr> <tr> <td>1950</td><td>2,663</td></tr> <tr> <td>1960</td><td>3,269</td></tr> <tr> <td>1970</td><td>4,355</td></tr> <tr> <td>1980</td><td>4,874</td></tr> <tr> <td>1990</td><td>5,595</td></tr> <tr> <td>2000</td><td>6,179</td></tr> </table>	<u>U.S. Census Date</u>	<u>Population</u>	1950	2,663	1960	3,269	1970	4,355	1980	4,874	1990	5,595	2000	6,179
<u>U.S. Census Date</u>	<u>Population</u>														
1950	2,663														
1960	3,269														
1970	4,355														
1980	4,874														
1990	5,595														
2000	6,179														
Number of employees(including police)	50														
Fire personnel - volunteer	19														
Police Protection:															
Number of:															
Police Stations	1														
Vehicular patrol units - marked	4														
- unmarked	2														
Fire Protection:															
Fire stations:	1														
Recreation:															
Park Areas	5														
Park Acreage	22														
Streets:															
Major Streets	6.69 miles														
Local Streets	13.29 miles														

VILLAGE OF HOLLY, MICHIGAN
MISCELLANEOUS STATISTICAL DATA
June 30, 2005

Page 2 of 2

Sewer System:

Sanitary and sewers	22 miles
Treatment plant	1
Daily average treatment	1.40 million gallons
Maximum daily capacity	3.00 million gallons

Water System:

Miles of Water mains	22 miles
Number of customers	2,612
Daily average consumption	605,490 gallons

Education:

Elementary Schools	4
Secondary Schools	1
High Schools	1

Source: From local unit's records

INTERNAL CONTROL AND COMPLIANCE



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

August 16, 2005

Village Council
Village of Holly
Holly, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Village of Holly* as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated August 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the *Village of Holly's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Village of Holly's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization, the Village council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

August 16, 2005

To the Village Council
Village of Holly
Holly, Michigan

In planning and performing our audit of the general purpose financial statements of the ***Village of Holly*** for the year ended June 30, 2005, we considered the Village's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 16, 2005, on the financial statements of the ***Village of Holly***.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of the ***Village of Holly***.

VILLAGE OF HOLLY

COMMENTS AND RECOMMENDATIONS

A) INTERNAL SERVICE FUND

At year-end the General Fund transferred an additional \$42,369 to cover the deficit in the Internal Service Fund. This situation has been ongoing for several years, and has resulted in an interfund payable of \$61,993 to the General Fund. However, internal service funds should account for the financing of goods or services provided by one fund to the other funds of the entity on a cost reimbursement basis.

We recommend that the rates charged for services to the other Village funds and departments be reviewed and adjusted to coincide more with the annual operating expenses. In addition, the Village should consider whether the interfund balance should be written off.

B) GENERAL CHECKING ACCOUNT

During our audit procedures on the Village's general checking account, we noted that there was an unreconciled difference remaining at year-end.

We recommend that the Village review the FY 2004/2005 bank statements and reconciliations to locate the difference and properly reconcile the account to the general ledger balance.